

Financial Statements

**CASS COUNTY MENTAL HEALTH
AND ADDICTION SERVICES**

September 30, 2005



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Cass Co. Mental Health & Addiction Serv.	County Cass
Audit Date 9/30/05	Opinion Date 12/21/05	Date Accountant Report Submitted to State: 3/27/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

RECEIVED
DEPT. OF TREASURY

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

MAR 28 2006

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) ROSLUND, PRESTAGE AND COMPANY, PC			
Street Address 308 GRATIOT AVENUE		City ALMA	State MI
		ZIP 48801	
Accountant Signature <i>Roslund, Prestage & Company P.C.</i>		Date 3/27/06	

Cass County Mental Health And Addiction Services
Table of Contents
September 30, 2005

Independent Auditor's Report

Management's Discussion and Analysis I - IV

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets 1

Statement of Activities 2

Fund Financial Statements:

Balance Sheet – Governmental Funds 3

Reconciliation of Fund Balances on the Balance Sheet for
Governmental Funds to Net Assets of Governmental
Activities on the Statement of Net Assets 4

Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds 5-6

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities 7

Notes to the Financial Statements 8-21

Required Supplemental Information:

Budgetary Comparison Schedules 22-23

Other Supplemental Information:

Individual Fund Statements:

Special Revenue Fund – Statement of Expenditures 24-25

Government Auditing Standards Report 26-27



INDEPENDENT AUDITOR'S REPORT

Cass County Mental Health And Addiction Services
Cassopolis, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Cass County Mental Health And Addiction Services (the Authority), a component unit of the County of Cass, as of and for the year ended September 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements present only the Cass County Mental Health And Addiction Services and are not intended to present fairly the financial position and results of operations of the County of Cass, Michigan, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2005, on our consideration of the Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages I-IV, and budgetary comparison information on pages 22-23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 21, 2005

**MANAGEMENT DISCUSSION
AND ANALYSIS**

Cass County Mental Health and Addiction Services
Financial Statements for the Fiscal Year Ended September 30, 2005
Management's Discussion and Analysis

The management of Cass County Mental Health and Addiction Services (also known as Woodlands) presents the following analysis and overview of financial activities and condition of the organization during the past fiscal year. This presentation is an effort to better inform the reader of the financial statements.

Financial Highlights

Beginning October 1, 2002, the Michigan Department of Community Health contracted with a designated Prepaid Inpatient Health Plan (PIHP) for Medicaid services within a designated geographic region. Kalamazoo Community Mental Services was awarded the contract for the four county area of Kalamazoo, Allegan, Cass and St. Joseph counties. Kalamazoo then entered into a Medicaid sub-contract agreement with each of the three CMHSP's. Separate General Fund contracts were issued by the state to each individual Community Mental Health Service Program (CMHSP).

This contracting arrangement is expected to remain the same through fiscal year 2006.

Overview of the Financial Statements

Two types of financial statements are provided: Government-wide Statements and Fund Statements.

The **government-wide financial statements** are designed to provide readers with a broad overview of the organization's finances in a manner similar to a private sector business. The report includes two government-wide statements that focus on operations of the organization as a whole.

The Statement of Net Assets presents information of all of Woodland's "assets" (what is owned), "liabilities" (what is owed) and the "net assets" (the resources that would remain if all obligations were settled). Changes in net assets serve as a useful indicator in determining whether the financial position is improving or deteriorating.

Cass County Mental Health and Addiction Services
Financial Statements for the Fiscal Year Ended September 30, 2005
Management's Discussion and Analysis

The Statement of Activities presents information showing how net assets changed during the fiscal year. Reporting of activities is on an accrual basis, meaning that the change in net assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related movement of cash.

The **fund financial statements** report groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Woodlands, as a governmental authority, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These funds are divided into two categories: governmental funds and proprietary funds.

Governmental fund statements have a narrower focus than that of the government-wide financial statements in that its focus is on the short-term movement of spendable resources and on the balances of spendable resources available at the end of the fiscal year.

The following government-wide statement is included in this discussion with comparative totals for the prior fiscal year.

Several significant variances between FY2004 and FY2005 were revealed in these statements and are shown below:

Accounts	FY2004	FY2005	Change
Cash and cash equivalents	\$2,279,939	\$2,080,617	(\$199,322)
Due to other governmental units	504,874	287,250	(217,624)

Cass County Mental Health And Addiction Services
Financial Statements for the Fiscal Year Ended September 30, 2005
Management's Discussion and Analysis

Assets

Current assets	\$ 1,806	\$ 1,994	\$ (188)	-9.4%
Restricted assets	534	528	6	1.1%
Capital assets	227	146	81	55.5%
Total assets	<u>2,567</u>	<u>2,668</u>	<u>(101)</u>	-3.8%

Liabilities

Current liabilities	660	907	(247)	-27.2%
Noncurrent liabilities	641	520	121	23.3%
Total liabilities	<u>1,301</u>	<u>1,427</u>	<u>(126)</u>	-8.8%

Net Assets

Investment in capital assets	227	146	81	55.5%
Restricted for capital purposes	-	-	-	0.0%
Restricted for risk management	-	-	-	0.0%
Unrestricted	1,039	1,094	(55)	-5.0%
Total net assets	<u>\$ 1,266</u>	<u>\$ 1,241</u>	<u>\$ 26</u>	2.0%
Current Position	1,146	1,087	59	5.4%

Budgetary Highlights

The following table presents the adopted budget for fiscal year 2005 compared to actual:

	Budget	Actual	Variance
Revenues	\$9,404,518	\$9,338,989	(\$65,529)
Expenditures	9,130,538	9,274,528	143,990

Actual financial activity for the year resulted in an excess of revenues over expenditures of \$64,461. Resulting in an increase to the fund balance of

Cass County Mental Health And Addiction Services
Financial Statements for the Fiscal Year Ended September 30, 2005
Management's Discussion and Analysis

Future financing

Section 462 of the FY 2006 Michigan Department of Community health (MDCH) appropriation act contains a requirement for a work group to study finding equity issues. This section calls on the MDCH to establish a work group to develop a plan to achieve state general fund equity among all CMHSPs.

The Michigan Department of Community Health rebased the Medicaid funding beginning in FY2006. This rebasing effort caused significant swings in Medicaid funding levels for a number of PIHPs. The Michigan Association of Community Mental Health Boards is coordinating an effort to mitigate the impact of losses to some PIHPs, which resulted from the new rates.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CASS COUNTY MENTAL HEALTH AND ADDICTION SERVICES
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005 AND 2004

	Governmental Activities	
	2005	2004
Assets		
Current assets		
Cash and cash equivalents	\$1,546,395	\$1,752,418
Accounts receivable, net	84,032	103,041
Due from other governmental units	68,028	66,270
Prepaid expenses	107,353	72,035
Total current assets	1,805,808	1,993,764
Noncurrent assets		
Cash and cash equivalents - restricted	534,222	527,521
Capital assets - depreciable, net	226,477	146,409
Total noncurrent assets	760,699	673,930
Total assets	2,566,507	2,667,694
Liabilities		
Current liabilities		
Accounts payable	294,724	210,410
Deferred revenue	4,965	6,071
Due to other governmental units	287,250	504,874
Accrued wages and other payroll liabilities	73,361	185,274
Noncurrent liabilities		
Accrued health insurance	502,502	392,279
Compensated absences	138,001	128,386
Total liabilities	1,300,803	1,427,294
Net Assets		
Invested in capital assets, net of related debt	226,477	146,409
Unrestricted	1,039,227	1,093,991
Total net assets	\$1,265,704	\$1,240,400

The notes to the financial statements are an integral part of this statement.

CASS COUNTY MENTAL HEALTH AND ADDICTION SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005, WITH COMPARATIVE DATA

Functions	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes In Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>2005</u>	<u>2004</u>
Governmental activities					
Health & Welfare - Mental Health	<u>\$9,314,298</u>	<u>\$6,209,242</u>	<u>\$3,092,982</u>	(\$12,074)	\$177,335
General revenues					
Unrestricted investment earnings				36,765	18,647
Restricted investment earnings				-	733
Total general revenues and contributions				<u>36,765</u>	<u>19,380</u>
Change in net assets				24,691	196,715
Net assets - beginning of year				1,240,400	1,043,685
Prior period adjustment				<u>613</u>	-
Net assets - end of year				<u>\$1,265,704</u>	<u>\$1,240,400</u>

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CASS COUNTY MENTAL HEALTH AND ADDICTION SERVICES
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005 AND 2004

	General Fund	
	2005	2004
Assets		
Current Assets		
Cash And Cash Equivalents	\$1,546,395	\$1,667,245
Due From Other Funds	-	85,173
Accounts Receivable, Net	84,032	103,041
Due From Other Governmental Units	68,028	66,270
Prepaid Expenses	107,353	72,035
Cash And Cash Equivalents - Restricted	534,222	527,521
Total Assets	\$2,340,030	\$2,521,285
Liabilities		
Accounts Payable	\$294,724	\$210,410
Deferred Revenue	4,965	6,071
Due To Other Governmental Units	287,250	504,874
Accrued Wages and Other Payroll Liabilities	73,361	185,274
Total Liabilities	660,300	906,629
Fund Balance		
Reserved For Prepaid Expenses	107,353	72,035
Unreserved	1,572,377	1,542,621
Total Fund Balances	1,679,730	1,614,656
Total Liabilities and Fund Balances	\$2,340,030	\$2,521,285

The notes to the financial statements are an integral part of this statement.

CASS COUNTY MENTAL HEALTH AND ADDICTION SERVICES
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Total fund balance - governmental funds	\$1,679,730
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Add:	Capital assets	652,167
Deduct:	Accumulated depreciation	(425,690)

Some liabilities are not due and payable in the current period and
therefore are not reported in the funds. Those liabilities consist of:

Deduct:	Accrued health insurance	(502,502)
	Compensated absences	(138,001)

Net assets of governmental activities	<u><u>\$1,265,704</u></u>
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The notes to the financial statements are an integral part of this statement.

CASS COUNTY MENTAL HEALTH AND ADDICTION SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING SEPTEMBER 30, 2005 AND 2004

	General Fund	
	2005	2004
REVENUES		
State Grants		
State General Fund - DCH Contract	\$1,626,447	\$1,547,462
Adult Benefit Waiver	150,341	215,681
Inpatient	529,934	515,009
Alzheimer's Grant	61,690	61,900
Title XX	4,756	4,756
Total State Grants	<u>2,373,168</u>	<u>2,344,808</u>
Federal Grants		
Substance Abuse	215,018	236,837
Wraparound Grant	13,890	13,000
PAS / ARR Grant	6,219	12,669
Total Federal Grants	<u>235,127</u>	<u>262,506</u>
Contributions - Local Units		
Cobo Hall	41,386	38,862
County Appropriations	195,000	195,000
Total Contributions - Local Units	<u>236,386</u>	<u>233,862</u>
Charges For Services		
Medicaid - State & Federal	5,860,279	5,493,555
Client And Third Party Pay	348,963	304,177
Total Charges For Services	<u>6,209,242</u>	<u>5,797,732</u>
Interest And Rents		
Interest	36,765	18,647
	<u>36,765</u>	<u>18,647</u>
Other Revenue		
Work Activity Center	45,330	73,064
Donations	28,178	39,415
Court Evaluations	10,133	9,495
HSCC Dues	20,395	18,500
Job Coaching	34,555	27,869
Other	109,710	178,891
Total Other Revenue	<u>248,301</u>	<u>347,234</u>
Total Revenues	9,338,989	9,004,789

The notes to the financial statements are an integral part of this statement.

CASS COUNTY MENTAL HEALTH AND ADDICTION SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDING SEPTEMBER 30, 2005 AND 2004

	General Fund	
	2005	2004
EXPENDITURES		
Health & Welfare - Mental Health		
Personnel Expenditures	\$4,324,116	\$4,054,535
Operating Expenditures	4,821,465	4,714,985
Capital Outlay	128,947	77,535
Debt Service - Principal	-	16,000
	<u>9,274,528</u>	<u>8,863,055</u>
Total Expenditures		
Excess Of Revenues Over Expenditures	64,461	141,734
Other Financing Sources (Uses)		
Operating Transfers In - Internal Service Fund	-	85,173
Excess Of Revenues And Other Sources Over Expenditures And Other Uses	64,461	226,907
Fund Balance, Beginning Of Year	1,614,656	1,387,228
Prior Period Adjustment	613	521
Fund Balance, End Of Year	<u>\$1,679,730</u>	<u>\$1,614,656</u>

The notes to the financial statements are an integral part of this statement.

CASS COUNTY MENTAL HEALTH AND ADDICTION SERVICES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Net change in fund balances - total governmental funds	\$64,461
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add:	Capital outlay	128,947
Deduct:	Depreciation expense	(48,879)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct:	Increase in accrual for compensated absences	(9,615)
Deduct:	Increase in accrual for retirement health insurance	(110,223)

Change in net assets of governmental activities	<u>\$24,691</u>
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The notes to the financial statements are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Cass County Mental Health And Addiction Services (the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Authority.

Reporting Entity

The Cass County Mental Health And Addiction Services is a component unit and an integral part of the County of Cass, the oversight unit. The financial statements of the Authority should be included in Cass County's comprehensive annual financial report as a special revenue fund.

The Authority operates under the provisions of Act 258 - Public Act of 1974 (the Michigan Mental Health Code), as amended. The Authority arranges for or provides supports and services for persons with developmental disability, adults with severe mental illness, children with serious emotional disturbance, and individuals with addictive disorder and substance abuse. These supports and services are made available to residents of the County of Cass who meet eligibility and other criteria. As the community mental health services provider for Cass County, the Authority also serves to represent community members, assuring local access, organizing and integrating the provision of services, coordinating care, implementing public policy, ensuring interagency collaboration, and preserving public interest.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Authority's reporting entity, and which organizations are legally separate, component units of the Authority. Based on the application of the criteria, the Authority does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of the Authority. *Governmental activities* normally are supported by intergovernmental revenues.

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

An exception to the "60 day" rule is the recognition of certain patient fee revenues and the related receivables. The Authority has elected to recognize these revenues on the accrual basis of accounting. The difference between the accrual basis of accounting and modified accrual basis of accounting for these revenues is not material to the financial statements.

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at September 30, 2004 has been reported only in the government-wide financial statements.
- Interest on general long-term obligations is recognized when paid.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

Proprietary Fund Financial Statements – The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the internal service fund are charges to other funds for insurance services. Operating expenses for internal service funds include the cost of claims, administration and reinsurance. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The financial activities of the Authority that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds.

Governmental Funds

General Fund – This fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in other funds.

Proprietary Funds

Internal Service Fund - This fund represents amounts set aside to fund the net uninsured exposure of potential shortfalls of contract revenues.

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

Budgets are adopted by the Authority for all governmental funds. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is also adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorized the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Authority's deposits are in accordance with statutory authority.

Receivables and Payables between Funds

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e. the current portion of interfund loans) or "advances to / from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the Michigan Department of Community Health and the State of Michigan.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

Inventories

The Authority does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are recorded as expenditures when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Authority does not have any infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Equipment and Furnishings	5 – 10
Computers	5 – 10
Vehicles	5

Restricted Assets

Cash has been restricted for future payment of the compensated absences liability and health insurance for retirees. These restricted assets are held in a separate cash account with local financial institutions.

Governmental Fund – Fund Balance Reserves and Designations

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as prepaid items are examples of the former. Reserves for Medicaid Savings, compensated absences and post-employment benefits are examples of the latter.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Inpatient / Residential Cost Liability

The amount recorded for inpatient/residential liability is based on management's estimate. This estimate is based on 1) the number of clients at each facility, 2) the number of days each client is at each facility, and 3) the daily rate charged for each facility. The Authority is not billed for these services until several months after the service date. Therefore, the liability is not liquidated within the normal 60-day period after year-end. Also, the actual cost may vary from the estimated due to reimbursements from third party payors that are applied to the total cost before the billings are sent to the Authority.

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

Deferred Revenue

Deferred revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the fund financial statements and government-wide financial statements, and revenue is recognized.

Grants

Grants from the Department of Community Health (DCH) and other governmental units are recorded as revenues when the actual expenditures financed by the grant are incurred. Excess funding is treated as deferred until used or until retrieved by the source.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted at the functional level and on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Authority does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

Excess Of Expenditures Over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended September 30, 2005, The Authority incurred expenditures in excess of the amounts budgeted as shown on the budget comparison schedule in the back of this report.

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

NOTE 3. DETAIL NOTES ON ALL FUNDS

Cash and Cash Equivalents

At September 30th, the carrying amount of the Authority's cash and cash equivalents was as follows:

Cash and Cash Equivalents	2005	2004
Petty Cash	\$1,420	\$1,020
Checking, Savings, & Money Market Accounts	1,532,799	1,751,398
Money Market - Restricted For Severance Benefits	12,176	6,856
Cert. Of Deposit - Restricted For Retiree Health Ins.	402,493	392,279
Cert. Of Deposit - Restricted For Comp. Absences	131,729	128,386
Total	\$2,080,617	\$2,279,939

The bank balance at year end was \$2,142,886, of which \$200,000 was covered by federal depository insurance. The remaining balance was uninsured and uncollateralized.

The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits government funds and accesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Restricted Cash

The Authority has charged to the Department of Community Health, the vested portion of compensated absences and health insurance for retirees as of September 30th. The Authority holds, in a separate bank account, funds set aside for the payment of compensated absences. The use of these funds is restricted to payment of these liabilities as they come due.

Accounts Receivable

Accounts receivable represents amounts due from third party payers, patients, and others.

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

Due From Other Governmental Units

Due from other governmental units as of September 30th, consists of the following:

Due From:	2005	2004
State of Michigan – Medicaid	\$38,380	\$37,800
LCC – Drug and Alcohol Prevention	29,648	28,470
Totals	\$68,028	\$66,270

Prepaid Expenses

Prepaid expenses represent payments for insurance that will benefit future periods.

Capital Assets

A summary of changes in capital assets is as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Equipment and Furnishings	\$186,482	\$34,742	-	\$221,224
Computers	193,530	94,205	-	287,735
Vehicles	143,208	-	-	143,208
Sub-total	523,220	128,947	-	652,167
Accumulated Depreciation	(376,811)	(48,879)	-	(425,690)
Totals	\$146,409	\$80,068	-	\$226,477

Depreciation expense in the amount of \$48,879 was charged to Health and Welfare – Mental Health Program.

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

Deferred Revenue

Deferred revenue represents amounts received in advance of the period in which they were earned as follows:

Deferred Revenue	2005	2004
General Fund Carryforward	-	\$2,105
Other	\$4,965	3,966
Totals	\$4,965	\$6,071

Due To Other Governmental Units

Due to other governmental units as of September 30th, consist of the following:

Due To	2005	2004
AIS / LADD Cost Settlement	\$147,700	\$147,700
Kalamazoo CMH - Medicaid	53,938	176,489
State of Michigan - Inpatient/Residential	85,612	180,685
Totals	\$287,250	\$504,874

Accrued Wages And Other Payroll Liabilities

This liability represents amounts paid to employees during October that was earned during September. Also included are employer payroll taxes and related liabilities.

Accrued Health Insurance

During the year ended September 30, 1997, the Authority approved a plan that will pay health insurance for retirees for a limited time if certain conditions are met. As of September 30, 2005 and 2004, this liability is \$502,502 and \$392,279, respectively.

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

Compensated Absences

VACATION

Employees are allowed to accumulate up to 200 hours of vacation time and carry the accumulated time into the future. Amounts accumulated are to be paid to the employee either when vacation time is actually taken or upon termination of employment.

SICK

Employees are allowed to accumulate hours of sick time and carry the accumulated time into the future. Hours accumulated over 360 will be paid to the employee on January 1st of each year at the rate of their hourly pay multiplied by half of the hours accumulated over 360. Hours accumulated from 1 - 360 are to be recognized as an expense when the employee actually uses the sick time. Upon termination of employment, all accumulated sick leave benefits are lost.

As of September 30, 2005 and 2004, the vacation/sick time liability is \$138,001 and \$128,386, respectively.

Operating Leases

Cass County Mental Health And Addiction Services has entered into various operating leases for the use of real and personal property. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the financial statements. The following is a schedule of future minimum lease payments required under the operating leases that have initial or remaining noncancelable lease terms as of September 30, 2005:

Year Ending September 30th	Minimum Payments
2006	\$69,584
2007	69,584
2008	69,584
2009	49,189
2010	49,189
Thereafter	75,173

Prior Period Adjustment

Prior period adjustments shown in the fund level financial statements in this report represent the adjustment to fund balance due to the following:

Adjustment	2005	2004
Adjustment To Beginning Accumulated Depreciation	\$613	\$521

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

Fund Balance Reserves

In the fund level financial statements, a portion of the fund balance at September 30th has been reserved equal to the amount of prepaid expenses, since prepaid expenses do not constitute "available spendable resources."

NOTE 4. OTHER INFORMATION

Compliance Audits

All governmental grants are subject to a transactional and compliance audits by the grantors or their representatives. Therefore, an indeterminable contingency exists for expenditures that may be disallowed by the granting agencies.

Deferred Compensation Plan

Employees of the Authority may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect To Service For State And Local Governments). The deferred compensation plan is available to all full time employees. Under the plan, employees may elect to defer a portion of their salaries and defer paying income taxes on the deferred portion until the withdrawal date.

Under the terms of an Internal Revenue Code Section 457 Plan, all deferred compensation and income attributable to the investment of the deferred compensation, until paid or made available to the employees or beneficiaries, are the property of the Authority subject only to the claims of the Authority's general creditors. As part of a fiduciary role, the Authority has an obligation of due care in selecting the third party administrator.

Additional information regarding this plan can be obtained by writing to:

Nationwide Retirement Solutions, Inc.
Deferred Compensation Service Center
Accounting Department
One Nationwide Plaza
Columbus, Ohio 43216

Cass County Mental Health And Addiction Services
Notes To The Financial Statements

Risk Management

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks, if any, have not exceeded commercial insurance coverage for the past three years.

The Authority also participated in the public entity risk pool – Michigan Municipal Risk Management Authority (MMRMA) for the additional risk associated with the Managed Care Specialty Supports and Services Contract as further explained in the Subsequent Events note below. The MMRMA, a separate legal entity, is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to various Michigan governmental entities.

As a member of this pool, MMRMA is responsible for paying all losses, including damages, loss adjustment expenses and defense cost, for each occurrence that falls within the member's self-insured retention. If a covered loss exceeds the Authority's limits, all further payments for such loss are the sole obligation of the Authority. If for any reason, the MMRMA resources available to pay losses are depleted, the payment of all unpaid losses of the Authority is the sole obligation of the Authority.

The Authority's coverage limits are \$5,000,000 for liability and \$1,500,000 for vehicle physical damage. The total premium paid during the current year is \$116,894.

Internal Service Fund - the Authority authorized and established an Internal Service Fund. The cash in this fund is used to cover the risk of overspending the Managed Care Specialty Services Program (MCSSP) contract.

This contract provides for the use of Department of Community Health funding for the establishment of an Internal Service Fund, which is restricted to meet the expected future risk corridor requirements of the contract. Expenditures from the Internal Service Fund will occur when, in any one fiscal year, the Authority finds it necessary to expend more to provide services necessary to carry out the MCSSP contract requirements than revenue provided to the Authority by the contract.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

CASS COUNTY MENTAL HEALTH AND ADDICTION SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDING SEPTEMBER 30, 2005

	Budgeted Amounts			Favorable (Unfavorable) Actual Over (Under) Final Budget
	Original	Final	Actual	
REVENUES				
State Grants				
State General Fund - DCH Contract	\$1,542,656	\$1,607,225	\$1,626,447	\$19,222
Adult Benefit Waiver	196,500	151,860	\$150,341	(1,519)
Inpatient	515,008	480,127	529,934	49,807
Alzheimer's Grant	61,900	61,900	61,690	(210)
Title XX	4,756	4,757	4,756	(1)
Total State Grants	<u>2,320,820</u>	<u>2,305,869</u>	<u>2,373,168</u>	<u>67,299</u>
Federal Grants				
Substance Abuse	231,400	244,960	215,018	(29,942)
Wraparound Grant		-	13,890	13,890
PAS/ARR Grant	8,301	8,301	6,219	(2,082)
Total Federal Grants	<u>239,701</u>	<u>253,261</u>	<u>235,127</u>	<u>(18,134)</u>
Contributions - Local Units				
Cobo Hall	38,870	38,870	41,386	2,516
County Appropriations	195,000	195,000	195,000	-
Total Contributions - Local Units	<u>233,870</u>	<u>233,870</u>	<u>236,386</u>	<u>2,516</u>
Charges For Services				
Medicaid - State & Federal	5,850,000	5,859,836	5,860,279	443
Client And Third Party Pay	345,750	425,737	348,963	(76,774)
Total Charges For Services	<u>6,195,750</u>	<u>6,285,573</u>	<u>6,209,242</u>	<u>(76,331)</u>
Interest And Rents				
Interest	31,175	31,175	36,765	5,590
	<u>31,175</u>	<u>31,175</u>	<u>36,765</u>	<u>5,590</u>
Other Revenue				
Work Activity Center	51,700	55,913	45,330	(10,583)
Donations	65,400	67,324	28,178	(39,146)
Court Evaluations	14,600	11,866	10,133	(1,733)
HSCC Dues	18,500	19,165	20,395	1,230
Job Coaching	33,200	28,115	34,555	6,440
Other	124,564	112,387	109,710	(2,677)
Total Other Revenue	<u>307,964</u>	<u>294,770</u>	<u>248,301</u>	<u>(46,469)</u>
Total Revenues	9,329,280	9,404,518	9,338,989	(65,529)

The notes to the financial statements are an integral part of this statement.

CASS COUNTY MENTAL HEALTH AND ADDICTION SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDING SEPTEMBER 30, 2005

	Budgeted Amounts			Favorable (Unfavorable) Actual Over (Under) Final Budget
	Original	Final	Actual	
EXPENDITURES				
Health & Welfare - Mental Health				
Personnel Costs	\$4,676,124	\$4,596,123	\$4,324,116	\$272,007
Operating Expenditures	4,607,640	4,534,415	4,821,465	(287,050)
Capital Outlay	-	-	128,947	(128,947)
Total Expenditures	9,283,764	9,130,538	9,274,528	(143,990)
Excess Of Revenues Over Expenditures	45,516	273,980	64,461	(209,519)
Fund Balance, October 1	1,470,298	1,470,298	1,614,656	144,358
Prior Period Adjustment	-	-	613	613
Fund Balance, September 30	<u>\$1,515,814</u>	<u>\$1,744,278</u>	<u>\$1,679,730</u>	<u>(\$64,548)</u>

The notes to the financial statements are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

CASS COUNTY MENTAL HEALTH AND ADDICTION SERVICES
STATEMENT OF PERSONNEL EXPENDITURES
FOR THE YEARS ENDING SEPTEMBER 30, 2005 AND 2004

	General Fund	
	2005	2004
Personnel Expenditures		
Salaries And Wages	\$3,206,195	\$2,966,590
Fringe Benefits	<u>1,117,921</u>	<u>1,087,945</u>
Total Personnel Expenditures	<u>\$4,324,116</u>	<u>\$4,054,535</u>

The notes to the financial statements are an integral part of this statement.

CASS COUNTY MENTAL HEALTH AND ADDICTION SERVICES
STATEMENT OF OPERATING EXPENDITURES
FOR THE YEARS ENDING SEPTEMBER 30, 2005 AND 2004

	General Fund	
	2005	2004
Operating Expenditures		
Advertising	\$7,278	\$4,094
Alzheimer's Grant	100,499	117,994
Board Per Diem	5,200	5,106
Building Lease	214,020	212,942
Building/Grounds Repairs & Maintenance	89,099	57,956
Client Activities	8,196	2,046
Client Wages	54,511	60,510
Conferences And Training	49,367	33,152
DD AIS Homes	1,609,418	1,427,475
Equipment Repairs & Maintenance	27,630	27,549
Food	22,601	19,390
Guardianship / Alternative	32,846	28,646
Inpatient / Residential	1,431,600	1,334,239
Insurance	57,188	70,880
Miscellaneous	15,375	20,259
Office Supplies	17,082	17,817
Operating Supplies	151,836	140,440
Postage	12,992	8,702
Professional & Contracted Services	483,720	608,674
Printing	10,764	-
Public Education	5,454	8,075
Small Equipment Purchases	50,717	62,021
Subscriptions & Dues	3,930	15,855
Telephone	49,842	49,596
Transportation - Client	127,044	114,398
Travel	100,144	85,870
T.A.P. Family Workers	42	108,414
Utilities	58,683	53,756
Vehicle Expense	24,387	19,129
	<hr/>	<hr/>
Total Operating Expenditures	<u>\$4,821,465</u>	<u>\$4,714,985</u>

The notes to the financial statements are an integral part of this statement.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Cass County Mental Health And Addiction Services
Cassopolis, Michigan

We have audited the financial statements of the governmental activities and each major fund of Cass County Mental Health And Addiction Services (the Authority) as of and for the year ended September 30, 2005, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

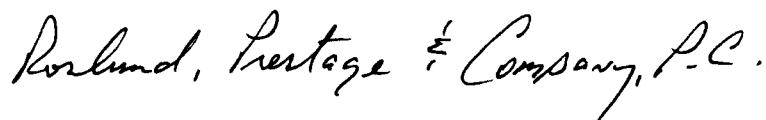
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the Authority in a separate letter dated December 21, 2005.

This report is intended solely for the information and use of the audit committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.



Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 21, 2005



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MANAGEMENT LETTER

LOCAL AUDIT & FINANCE DIV.

Cass County Mental Health And Addiction Services
Cassopolis, Michigan

In planning and performing our audit of the financial statements for Cass County Mental Health and Addiction Services for the fiscal year ended September 30, 2005 we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated December 21, 2005 on the financial statements of Cass County Mental Health and Addiction Services.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 21, 2005

Cass County Mental Health And Addiction Services
Management Letter

GASB Statement No. 45

Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was approved by the GASB in June of 2005. Other postemployment benefits are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they stop working. They include all postemployment healthcare benefits and any other type of benefits that are provided separately from a pension plan. The basic premise of GASB 45 is that other postemployment benefits are earned and should be recognized when the employee provides services, just like wages and compensated absences.

We recommend the Authority consider the effects of GASB 45 on any current or future postemployment benefits packages.

The effective date for the Authority to implement this new standard is for the fiscal year ending September 30, 2009. However, earlier application is encouraged by the GASB.

Budget

Budget-To-Actual statements are required to be presented in the audit report on the modified accrual basis. Budgets often are prepared to comply with the reporting format requested by the Department of Community Health and may include items that are found in both the full accrual and modified accrual basis (i.e., principal payments, capital outlay, depreciation, compensated absences, gains and losses on disposal of assets, loan proceeds).

We recommend that management review, and modify if necessary, the annual budget process to assure that it is prepared on the modified accrual basis for presentation in the annual audit report. This budget should then be adopted by the board in addition to, if necessary, any other budgets adopted on another basis.